

AMENDED IN ASSEMBLY JULY 5, 2011

AMENDED IN ASSEMBLY JUNE 22, 2011

AMENDED IN SENATE MAY 5, 2011

AMENDED IN SENATE APRIL 13, 2011

**SENATE BILL**

**No. 705**

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**Introduced by Senator Leno**

February 18, 2011

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An act to add Chapter 4.5 (commencing with Section 950) to, and to repeal Chapter 2.2 (commencing with Section 328) of, Part 1 of Division 1 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 705, as amended, Leno. Natural gas: service and safety.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or services to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations.

Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and an intrastate gas pipeline facility, as defined. Existing law authorizes the United States Secretary of Transportation to prescribe or enforce

safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that annually submits to the secretary a certification for the facilities and transportation or, alternatively, authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing federal law prohibits a state authority from adopting or continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation, but permits a state authority that has submitted a specified certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would designate the commission as the state authority *over gas corporations, but not over local public agencies*, responsible for regulating and enforcing intrastate gas pipeline transportation and pipeline facilities pursuant to federal law, including the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines. The bill would require each gas corporation to develop a ~~service and safety~~ plan, as specified, for the safe and reliable operation of its commission-regulated gas pipeline facility, as defined. The bill would require the commission to accept, modify, or reject the plan for each gas corporation by December 31, 2012, and to build into an approved plan sufficient flexibility to redirect activities to respond to safety requirements. The bill would require that the plan be periodically reviewed and updated.

The bill would also reorganize and revise existing provisions relative to restructuring of the natural gas industry to declare that it is the policy of the state to place safety of the public and gas corporation employees as the top priority and require the commission to require that the distribution rate of a gas corporation include sufficient revenues and employee staffing to provide for prompt provision of service to the public consistent with this policy. The bill would require the commission to take all reasonable and appropriate actions to carry out that policy, as specified.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission

implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Chapter 2.2 (commencing with Section 328) of  
2 Part 1 of Division 1 of the Public Utilities Code is repealed.

3 SEC. 2. Chapter 4.5 (commencing with Section 950) is added  
4 to Part 1 of Division 1 of the Public Utilities Code, to read:

5  
6 CHAPTER 4.5. NATURAL GAS SERVICE AND SAFETY

7  
8 Article 1. General

9  
10 950. For purposes of this chapter, the following terms have the  
11 following meanings:

12 (a) "Commission-regulated gas pipeline facility" means an  
13 intrastate gas pipeline facility as defined in Section 60101 of Title  
14 49 of the United States Code, that is subject to the safety regulatory  
15 authority of the commission, *excluding facilities owned and*  
16 *operated by a local public governmental entity, and including, but*  
17 *not limited to, all of the following pipelines:*

18 (1) An intrastate distribution line, which is a pipeline that is not  
19 subject to the jurisdiction of the Federal Energy Regulatory  
20 Commission pursuant to Section 717(b) of Title 15 of the United  
21 States Code because it is used for the local distribution of natural  
22 gas.

23 (2) An intrastate transmission line, which is a transmission  
24 pipeline that the commission, pursuant to Section 717(c) of Title  
25 15 of the United States Code, has certified to the Federal Energy  
26 Regulatory Commission as being subject to the regulatory  
27 jurisdiction of the commission over rates and service. For these  
28 purposes, a transmission pipeline means a pipeline other than a

1 gathering line that: (A) transports gas from a gathering line or  
2 storage facility to a distribution center, storage facility, or large  
3 volume customer that is not downstream from a distribution center,  
4 (B) operates at a hoop stress of 20 percent or more of specified  
5 ~~maximum~~ *minimum* yield strength, or (C) transports gas within a  
6 storage field.

7 (3) An intrastate gathering line, which is a pipeline that  
8 transports gas from a current production facility to a transmission  
9 line or main other than a proprietary nondedicated gas gathering  
10 line regulated by either the Division of Oil, Gas, and Geothermal  
11 Resources in the Department of Conservation or the Pipeline and  
12 Hazardous Materials Safety Administration of the United States  
13 Department of Transportation.

14 (4) A mobilehome park master-metered natural gas distribution  
15 system that is subject to the commission's safety inspection and  
16 enforcement program pursuant to Chapter 4 (commencing with  
17 Section 4351) of Division 2.

18 (5) A propane distribution system that is subject to the  
19 commission's safety inspection and enforcement program pursuant  
20 to Chapter 4.1 (commencing with Section 4451) of Division 2.

21 (b) "Intrastate distribution line," "intrastate gathering line," and  
22 "intrastate transmission line" includes all facilities used in the  
23 receipt, transport, and delivery of gas to an end-use customer,  
24 including, but not limited to, pipelines, compressor stations,  
25 pressure regulating devices, valves, services, meters, and equipment  
26 or devices used in the operation and maintenance of those facilities.

27  
28 Article 2. Natural Gas Pipeline Safety Act of 2011  
29

30 955. (a) This article shall be known and may be cited as the  
31 Natural Gas Pipeline Safety Act of 2011.

32 (b) The commission is the state authority *over gas corporations,*  
33 *but not over local public governmental entities, and is* responsible  
34 for regulating and enforcing intrastate gas pipeline transportation  
35 and pipeline facilities pursuant to Chapter 601 (commencing with  
36 Section 60101) of Subtitle VIII of Title 49 of the United States  
37 Code, including the development, submission, and administration  
38 of a state pipeline safety program certification for natural gas  
39 pipelines pursuant to Section 60105 of that chapter.

1 (c) The State Fire Marshal shall exercise exclusive safety  
2 regulatory and enforcement authority over intrastate hazardous  
3 liquid pipelines pursuant to the Elder California Pipeline Safety  
4 Act of 1981 (Chapter 5.5 (commencing with Section 51010) of  
5 Part 1 of Division 1 of Title 5 of the Government Code) and  
6 Section 13107.5 of the Health and Safety Code.

7 (d) Nothing in this article limits the obligation of a gas  
8 corporation to provide adequate service and facilities for the  
9 convenience of the public and its employees pursuant to Section  
10 451 or the authority of the commission to enforce that obligation  
11 under state law.

12 961. (a) (1) Each gas corporation shall develop a ~~service and~~  
13 ~~safety~~ plan for the safe and reliable operation of its  
14 commission-regulated gas pipeline facility that implements the  
15 policy of subdivision (c) of Section 966, subject to approval,  
16 modification, and adequate funding by the commission.

17 (2) By December 31, 2012, the commission shall review and  
18 accept, modify, or reject the plan for each gas corporation as part  
19 of a proceeding that includes a hearing. The commission shall  
20 build into any approved plan sufficient flexibility to redirect  
21 activities to respond to safety requirements.

22 (3) Each gas corporation shall implement its approved plan.

23 (4) The commission shall require each gas corporation to  
24 periodically review and update the plan, and the commission shall  
25 review and accept, modify, or reject an updated plan at regular  
26 intervals thereafter. The commission, pursuant to Section 1701.1,  
27 shall determine whether a proceeding on a proposed update to a  
28 plan requires a hearing, consistent with subdivision (d).

29 (b) ~~The service and safety plan developed~~ *plan developed,*  
30 *approved,* and implemented pursuant to subdivision (a) shall be  
31 consistent with best practices in the gas industry and with federal  
32 pipeline safety statutes as set forth in Chapter 601 (commencing  
33 with Section 60101) of Subtitle VIII of Title 49 of the United States  
34 Code and the regulations adopted by the United States Department  
35 of Transportation pursuant to those statutes.

36 (c) ~~The service and safety plan developed~~ *plan developed,*  
37 *approved,* and implemented pursuant to subdivision (a) shall set  
38 forth how the gas corporation will implement the policy established  
39 in subdivision (c) of Section 966 and achieve each of the following:

1 (1) Identify and minimize hazards and systemic risks in order  
2 to ~~prevent~~ *minimize* accidents, explosions, fires, and dangerous  
3 conditions, and protect the public and gas corporation employees.

4 (2) Identify the safety-related systems that will be deployed to  
5 ~~eliminate or~~ minimize hazards, including adequate documentation  
6 of ~~gas plant~~ *the commission-regulated gas pipeline facility* history  
7 and capability.

8 (3) Provide adequate storage and transportation capacity to  
9 reliably and safely deliver gas to all customers consistent with  
10 rules authorized by the commission governing core and noncore  
11 reliability and curtailment, including provisions for expansion,  
12 replacement, preventive maintenance, and reactive maintenance  
13 and repair of its commission-regulated gas pipeline facility.

14 (4) Provide for effective patrol and inspection of the  
15 commission-regulated gas pipeline facility to detect leaks and other  
16 compromised facility conditions and to effect timely repairs.

17 (5) Provide for appropriate and effective system controls, with  
18 respect to both equipment and personnel procedures, to limit the  
19 damage from accidents, explosions, fires, and dangerous  
20 conditions.

21 (6) Provide timely response to customer and employee reports  
22 of leaks and other hazardous conditions and emergency events,  
23 including disconnection, reconnection, and pilot-lighting  
24 procedures.

25 (7) Include appropriate protocols for determining maximum  
26 allowable operating pressures on relevant pipeline segments,  
27 including all necessary documentation affecting the calculation of  
28 maximum allowable operating pressures.

29 (8) Prepare for, or minimize damage from, and respond to,  
30 earthquakes and other major events.

31 (9) Meet or exceed the minimum standards for safe design,  
32 construction, installation, operation, and maintenance of gas  
33 transmission and distribution facilities prescribed by regulations  
34 issued by the United States Department of Transportation in Part  
35 192 (commencing with Section 192.1) of Title 49 of the Code of  
36 Federal Regulations.

37 (10) Ensure an adequately sized, qualified, and properly trained  
38 gas corporation workforce to carry out the plan.

39 (11) Any additional matter that the commission determines  
40 should be included in the plan.

(d) The commission and gas corporation shall provide opportunities for meaningful, substantial, and ongoing participation by gas corporation employees in the development and implementation of the ~~service and safety~~ plan, with the objective of developing an industrywide culture of safety that will ~~prevent~~ *minimize* accidents, explosions, fires, and dangerous conditions for the protection of the public and gas corporation employees.

962. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of subdivision (c) of Section 966 consistent with the principle of just and reasonable cost-based rates.

### Article 3. Natural Gas Service

965. For purposes of this article, the following terms have the following meanings:

(a) “After-meter services” includes, but is not limited to, leak investigation, inspecting customer piping and appliances, carbon monoxide investigation, pilot relighting, and high bill investigation.

(b) “Basic gas service” includes transmission, storage for reliability of service, and distribution of natural gas, purchasing natural gas on behalf of a customer, revenue cycle services, and after-meter services.

(c) “Metering services” includes, but is not limited to, gas meter installation, meter maintenance, meter testing, collecting and processing consumption data, and all related services associated with the meter.

(d) “Revenue cycle services” means metering services, billing the customer, collection, and related customer services.

966. The Legislature finds and declares all of the following:

(a) In order to ensure that all core customers of a gas corporation continue to receive safe basic gas service, each existing gas corporation shall continue to provide this essential service.

(b) A customer shall not be required to pay separate fees for utilizing services that protect public or customer safety.

(c) It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority.

967. (a) The commission shall require each gas corporation to provide bundled basic gas service to all core customers in its

1 service territory unless the customer chooses or contracts to have  
2 natural gas purchased and supplied by another entity.

3 (b) A public utility gas corporation shall continue to be the  
4 exclusive provider of revenue cycle services to all customers in  
5 its service territory, except that an entity purchasing and supplying  
6 natural gas under the commission's existing core aggregation  
7 program may perform billing and collection services for its  
8 customers under the same terms as currently authorized by the  
9 commission, and except that a supplier of natural gas to noncore  
10 customers may perform billing and collection for natural gas supply  
11 for its customers.

12 (c) The gas corporation shall continue to calculate its charges  
13 for services provided by that corporation. If the commission  
14 establishes credits to be provided by the gas corporation to core  
15 aggregation or noncore customers who obtain billing or collection  
16 services from entities other than the gas corporation, the credit  
17 shall be equal to the billing and collection services costs actually  
18 avoided by the gas corporation.

19 (d) The commission shall require the distribution rate to continue  
20 to include after-meter services and shall authorize sufficient  
21 revenues and employee staffing to provide for prompt provision  
22 of these services to the public, consistent with the policy developed  
23 and implemented by the gas corporation and approved by the  
24 commission pursuant to Section 961.

25 SEC. 3. No reimbursement is required by this act pursuant to  
26 Section 6 of Article XIII B of the California Constitution because  
27 the only costs that may be incurred by a local agency or school  
28 district will be incurred because this act creates a new crime or  
29 infraction, eliminates a crime or infraction, or changes the penalty  
30 for a crime or infraction, within the meaning of Section 17556 of  
31 the Government Code, or changes the definition of a crime within  
32 the meaning of Section 6 of Article XIII B of the California  
33 Constitution.